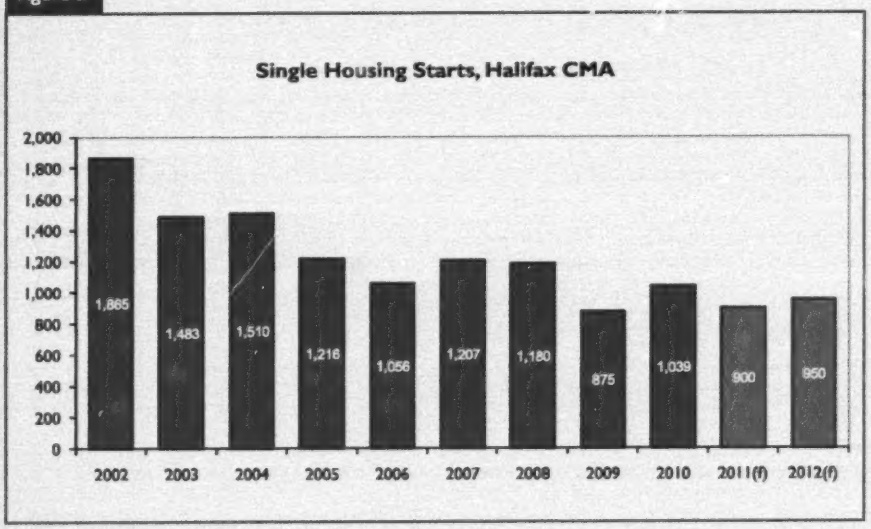
Figure 2



Source and Forecast: CMHC

employment growth slowed to just over one per cent in 2010.

Despite remaining at record levels for most of last year, the employment base in Halifax saw some significant changes. All of the employment growth in 2010 was due to increases in part-time positions. Part-time employment, which typically represents approximately 18-19 per cent of the workforce, experienced growth of nearly six per cent in 2010. Full-time employment over the same period of time was down approximately 0.5 per cent. While full-time employment has already grown two per cent in the first quarter of 2011, part-time employment again recorded a higher rate of growth at 3.4 per cent. This changing landscape suggests lingering uncertainty in the local economy on the part of employers.

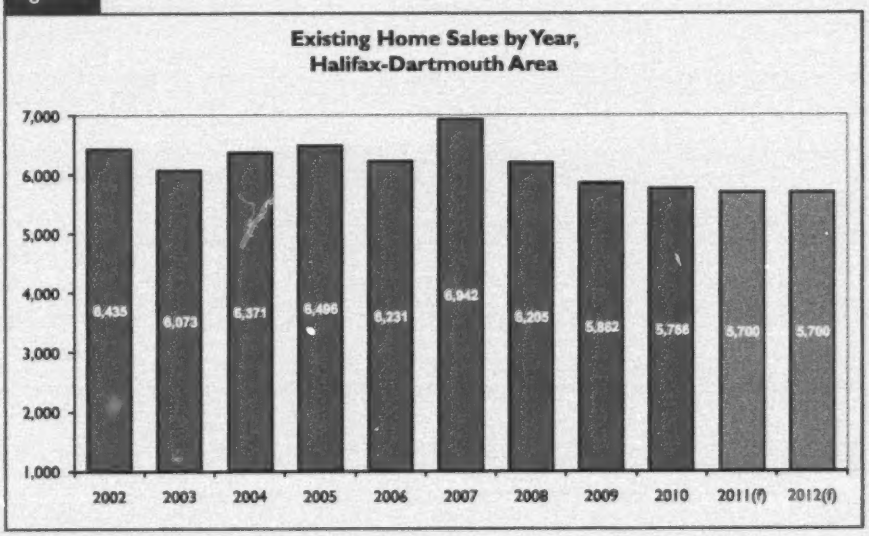
Real wage growth has slowed in Halifax in 2010 compared to the high rate of growth seen in 2009. Last year, the Consumer Price Index (CPI, a measure of inflation) grew by approximately two per cent and reduced real wage growth to approximately 2.6 per cent. Excluding CPI, weekly earnings grew by approximately 4.6 per cent. The recent increases in fuel costs are expected to further erode real wage growth over the forecast period.

The changes in employment and real wages will maintain housing demand at reduced levels. Recent increases in part-time employment are less supportive of housing demand and the effects will continue to be felt over the forecast period.

In 2010, Halifax saw one of the highest levels of migration on record. Preliminary figures indicate that 4,338 net new migrants moved to Halifax last year. This contributed to an estimated increase of 1.4 per cent in the overall population of the city. The majority of population growth in Halifax has been due to immigration. The rate of natural population growth (i.e., number of births minus deaths) has been declining in recent years. Last year, this figure was 1,161, well below the current ten-year average of 1,298. Immigration to Halifax is expected to remain stable while both inter and intra-provincial migration to the city is expected to level off as demand for labour in western Canada picks up again.

Slow economic and employment growth along with steady migration and modest growth in population will

Figure 3



Source: Nova Scotia Association of REALTORS® & CREA
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Forecast: CMHC

result in continued softness in housing demand for Halifax over the forecast period.

Mortgage Rates

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. The Bank of Canada is expected to resume raising the overnight rate in the fourth quarter of 2011. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

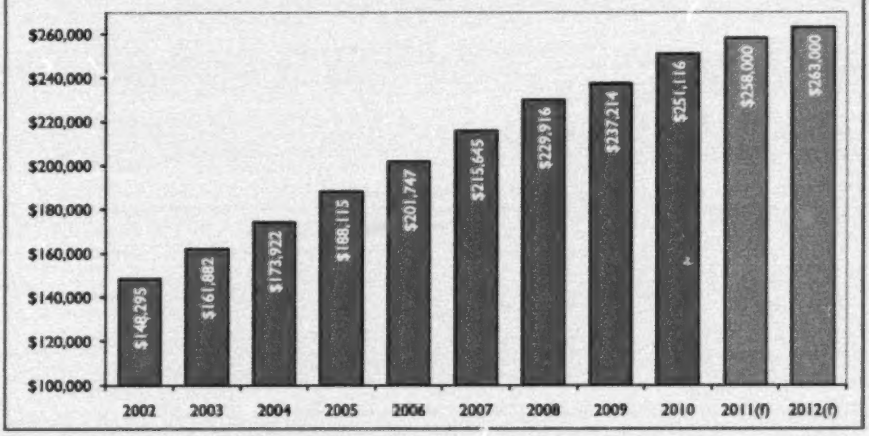
Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Apartment Construction to Increase in 2011

After increasing by 38 per cent in 2010, new home construction in Halifax will climb only one per cent in 2011 before declining in 2012. While both singles and multiples saw significant growth in 2010, all of the growth in 2011 will be the result of apartment construction.

Figure 4

Existing Home Average Price by Year, Halifax-Dartmouth Area



Source: Nova Scotia Association of REALTORS® & CREA
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Forecast: CMHC

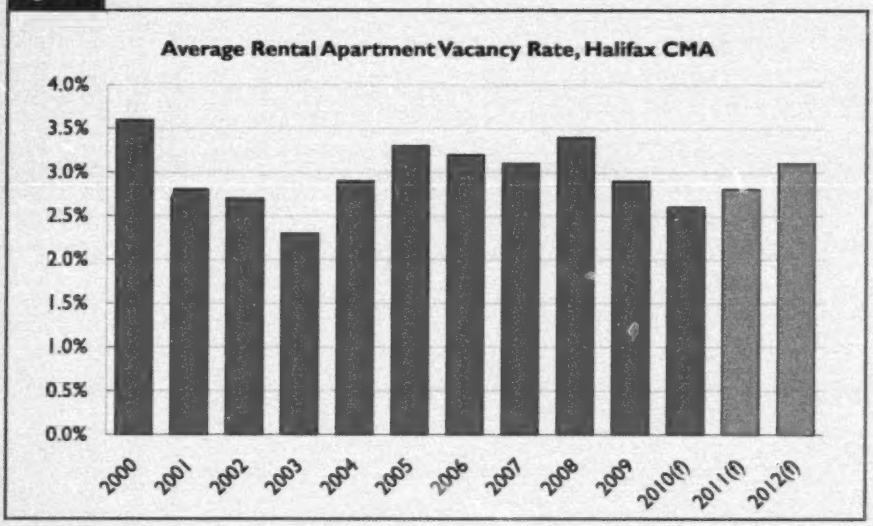
New single-detached housing starts rebounded by 19 per cent last year, but will moderate by approximately 13 per cent in 2011 and climb modestly in 2012. Reduced demand due to the economic and demographic factors discussed will limit new singles construction. This was already seen in the first quarter of 2011 as single starts were down 32 per cent. They were also 22 per cent below the ten-year average for the first quarter. Activity is expected to pick up in the coming months resulting in approximately 900 single starts in 2011, but will remain more than 25 per cent below the current ten-year annual average.

The average selling price of a new single-detached home grew by more than five per cent in 2010, reaching nearly $353,000. In spite of reduced demand, prices are expected to continue to rise in 2011. The average price will climb more slowly in 2011 to $357,000 for the year. Prices will continue to see upward pressure as material costs rise with the rising global commodity prices. Prices also will be impacted, in part, by changing consumer preferences in terms of location, home style, amenities and materials used to finish the home. These preferences add value and cost to new home construction and can put upward pressure on prices in spite of softer demand.

New semi-detached and row houses will continue to be a popular alternative to other forms of new construction. In 2010, this segment also rebounded by 19 per cent and is expected to see sustained levels of demand as builders start another 310 units in 2011 and 305 in 2012.

Apartment construction climbed sharply in 2010 as starts increased by 74 per cent to 1,043 units from 599 in 2009. This level of activity will increase again in 2011 as builders respond to relatively low vacancy

Figure 5



Source and Forecast: CMHC

rates and stable in-migration in Halifax. Apartment construction will reach the highest level in 20 years as ground is broken on 1,200 units in 2011. Activity will decline by 17 per cent in 2012 to 1,000 units, but will remain above the current ten-year average of 937 units. The majority of these new apartments are expected to be rental units. Some of the softer demand for new and existing homes has benefited the rental market as potential buyers are delaying purchases and staying in rental accommodations.

Existing Home Sales to Decline in 2011

Existing home sales in Halifax saw little change in 2010, declining by just 1.6 per cent to 5,766 sales. Sales are expected to remain substantially unchanged in both 2011 and 2012 with approximately 5,700 sales each year. Average existing home prices climbed nearly six per cent last year, reaching over $251,000. This year, home prices are expected to continue to rise, but at a more modest pace of growth. Prices will reach approximately $258,000 and $263,000 in 2011 and 2012, respectively.

While the first four months of 2010 saw strength in existing home sales, lingering weakness in employment and slower real wage growth continues to curb demand. The impact was a small reduction in sales last year, but the effects are expected to continue to impact the existing homes market over the forecast period. The forecast of 5,700 sales is nine per cent below the current ten-year average of more than 6,200 annual sales. It is also well below the record level of 6,945 sales set in 2007.

Despite reduced levels of sales activity, prices have continued to advance in Halifax. In 2010, the average existing home price increased six per cent to over $251,000. After the first quarter for 2011, prices have already risen more than three per cent. The average price is expected to remain at or near levels already seen in 2011, with the price forecast at $258,000 for 2011 and $263,000 for 2012.

The factors impacting the average price are similar to those impacting new home construction. Location, style and amenities play key roles in determining price. In recent years, price growth has been accentuated by a preference for larger or more expensive homes in Halifax. For example, two-storey homes now represent approximately 48 per cent of the resale market and have an average price of nearly $300,000. This factor alone will result in continued upward pressure on average prices, even if an individual home may not see as much price growth as the overall average. Similarly, in 2010, homes selling for $250,000 or more (i.e., above average) saw sales growth of 13 per cent, while homes selling for less than $250,000 saw sales decline 11 per cent. Again, the preference for above-average priced homes is an important contributor to the overall increases in average price.

A lower inventory level also contributed to price growth in 2010. New listings have been between 10,000 and 11,000 annually since 2005. Last year, new listings declined to 10,160. Expect the impact of reduced sales activity to result in another small decline in new listings to just over 10,000 homes in 2011.

Recent market forces have combined to create an existing homes market which continues to be relatively balanced. Reduced sales activity will be offset by rising prices and tighter inventory and will result in generally balanced resale market conditions.

Vacancy Rate to Rise Slightly in 2011

The apartment vacancy rate in Halifax declined last year for the second consecutive year. The decline was due to steady demand for units and reduced levels of new supply. This year, similar factors are expected to keep the rate relatively low, but

new supply coming to market will exert upward pressure on the overall vacancy rate.

Positive net migration continues to be a key ingredient in the stable demand for rental units in Halifax. Last year, Halifax recorded continued strength in net-migration from both international and domestic sources, both of which tend to favor rental before moving to homeownership which added to the demand for rental units. Economic factors were also supportive of rental unit demand. Slower economic growth, higher levels of part-time employment and slower real wage growth reduced the demand for homeownership, but bolstered the demand for rental apartments.

While impacted by demand, the vacancy rate was also pushed down last year due to reduced levels of new supply in the market. While apartment construction picked up considerably in 2010, overall only 721 new apartment units were completed. This figure is well below the current ten-year annual average of 898 apartment-style unit completions. The combined impact of fewer new units and stable levels of demand resulted in the vacancy rate reaching its second lowest level in ten years at 2.6 per cent.

While completions were down in 2010, new starts were up sharply by 74 per cent. Apartment-style unit starts climbed above the ten-year average to 1,043 units last year and are expected to climb to 20-year highs this year at 1,200 units. This level of new construction activity will begin to impact the market this year. As new supply becomes available over the forecast period, the vacancy rate is expected to gradually rise.

This year, factors affecting demand are expected to remain relatively unchanged. On the supply-side, however, more new units will become available and this will reduce the downward pressure on vacancy rates. Expect the overall vacancy rate to increase moderately to 2.8 per cent in 2011. As more supply becomes available next year, expect the vacancy rate to climb again in 2012 to 3.1 per cent.

Average rents in Halifax are expected to continue to rise slowly. Rents continue to climb due to rising costs of construction and maintenance but also in response to the introduction of new units to the local market. Over the past few years, average rents have increased at an annual rate of between two and three per cent (based on units common to the survey sample each year). This rate of growth will remain intact in 2011 and 2012 as average rents rise approximately three per cent per year.

Despite the steady but slow rent increases, the Halifax rental market remains relatively affordable. Average rents have been rising more slowly than home prices or average income levels. The result has been that the rental market in Halifax continues to offer value to renters and this continues to provide support to rental demand.

Forecast Summary Halifax CMA Spring 2011	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	6,205	5,862	5,766	5,700	-1.1	5,700	0.0
MLS® New Listings	10,710	10,516	10,160	10,000	-1.6	10,200	2.0
MLS® Average Price ($)	229,916	237,214	251,116	258,000	2.7	263,000	1.9
New Home Market							
Starts:							
Single-Detached	1,180	875	1,039	900	-13.4	950	5.6
Multiples	916	858	1,351	1,510	11.8	1,305	-13.6
Semi-Detached	108	118	156	160	2.6	155	-3.1
Row/Townhouse	169	141	152	150	-1.3	150	0.0
Apartments	639	599	1,043	1,200	15.1	1,000	-16.7
Starts - Total	2,096	1,733	2,390	2,410	0.8	2,255	-6.4
Average Price ($):							
Single-Detached	329,765	335,070	352,783	357,000	1.2	362,000	1.4
Median Price ($):							
Single-Detached	299,900	311,400	328,078	333,000	1.5	338,000	1.5
New Housing Price Index (% chg.)	8.0	1.1	0.9	1.5	-	1.3	-
Rental Market							
October Vacancy Rate (%)	3.4	2.9	2.6	2.8	0.2	3.1	0.3
Two-bedroom Average Rent (October) ($)	833	877	891	920	-	945	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	211,900	219,200	221,100	225,000	1.8	230,000	2.2
Employment Growth (%)	0.6	3.4	0.9	1.8	-	2.2	-
Unemployment rate (%)	5.2	6.4	6.3	6.1	-	6.0	-
Net Migration	2,185	3,294	3,658	3,600	-1.6	3,500	-2.8

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Nova Scotia Association of REALTORS®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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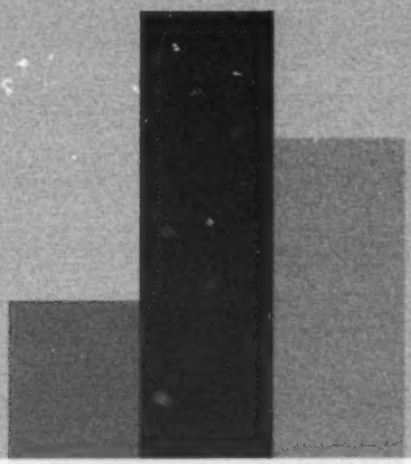

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